

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE YEAR ENDED 31 MARCH 2006

#### 1. Purpose of Report

The purpose of this report is to provide the NHS Board with the summary financial position for the year ended 31 March 2006, subject to external audit review.

#### 2. Summary

The detailed Finance Reports presented to the Board over the last few months highlighted a potential range for the forecast surplus of between £7.509m and £13.009m. The actual financial position to the end of March shows an underspend of £11.617m, compared with the original forecast year end surplus of £0.083m highlighted within the financial plan approved by the Board in July 2005.

During March there were various movements against budget identified. These included a further impact of slippage in the mental health and learning disabilities resource transfer programmes, as well as a number of areas within the financial plan where approved funding has not been required or the sums involved have been substantially lower than anticipated. This financial benefit was partly offset by removal of the earlier forecast underspend against prescribing.

As a result of the year-end underspend NHS Lanarkshire will be in a position to further reduce the cumulative deficit brought forward from previous financial years. The cumulative deficit peaked at £20.400m as at 1 April 2004, reducing slightly to £20.042m as at 1 April 2005. The financial position achieved during this year will see this reduce to £8.425m as at 31 March 2006. This is a major achievement for the organisation, particularly at a time of ongoing service pressure, delivery of waiting times targets, continuation of the pay modernisation agenda, increasing complexity of drug regimes and ever-increasing demands across the service, and is a credit to all staff and managers within NHS Lanarkshire.

The table below sets out a summary by Division.

*Table 1 - Summary Financial Position 2005/06*

	Budgeted Operating Costs £M	Actual Operating Costs £M	Actual saving / (excess) £M
Corporate Division	143.269	141.389	1.880
Acute Operating Division	258.193	258.193	0.000
Primary Care Operating Division	357.756	357.756	0.000
NHSL - wide	21.721	11.984	9.737
<b>Net operating costs</b>	<b>780.939</b>	<b>769.322</b>	<b>11.617</b>

### 3. Revenue Resource Limit

At the end of March 2006, the revenue resource limit for NHS Lanarkshire was £714.410m. Table 2 provides details of the allocations notified during the month.

Table 2 - Revenue Allocations 2005/06

	£M
<b>Revenue Resource Limit as at 28 February 2006</b>	<b>714.097</b>
<b>Additional Allocations Confirmed:</b>	
Scottish Dental Access Initiative	0.040
AHP Support & Development	0.003
ePharmacy	0.056
NWYU - Cardiology Cath Lab	0.100
NWTU - Endoscopy	0.030
Health & Social Care Partnerships - MCNs	0.020
SALUS - Health Working Lives Programme	0.100
One Year Funding - Physio Posts	0.074
AHP Travel Scholarships	0.008
Scottish Primary Care Collaborative	0.035
Transfer to Capital	(0.158)
Cleanliness Champions	0.001
Additional Water Rates for Hospices	0.004
<b>Revenue Resource Limit as at 31 March 2006</b>	<b><u>714.410</u></b>

At the time of writing, two allocations from the Scottish Executive Health Department remain outstanding:

- additional capital to revenue transfer £5.000m
- accelerated depreciation £3.875m

In relation to the capital to revenue transfer, written confirmation was received on 6 April from SEHD, however the formal adjustment to the general revenue allocation has still to be received.

Capital charges returns were submitted to the SEHD on 11 April, confirming the funding required for accelerated depreciation on properties previously declared surplus. The sum of £3.875m has been requested and this is in line with a submission made earlier in the year. It is understood that the funding requests for all Boards are being reviewed by the SEHD and confirmation of the amount to be allocated is awaited.

### 4. Corporate Division

The Corporate Division is reporting an underspend of £1.880m as at 31 March 2006. This reflects a further improvement on the £0.993m reported at the end of February, and takes the total underspend achieved against Headquarters budgets, other NHS / independent sector providers, and resource transfer to £1.880m for the year, including the £1.000m removed from budgets following the Mid Year Review. A detailed review of this position will

continue into 2006/07 to establish any recurring impact, not already anticipated within the financial plan for 2006/07.

*Table 3 - Corporate Division 2005/06*

	<b>Budgeted Operating Costs £M</b>	<b>Actual Operating Costs £M</b>	<b>Actual saving / (excess) £M</b>
Pay	16.932	16.328	0.604
Non Pay	128.676	127.400	1.276
Gross operating costs	145.608	143.728	1.880
Less: miscellaneous income	(2.339)	(2.339)	0.000
<b>Net operating cost</b>	<b>143.269</b>	<b>141.389</b>	<b>1.880</b>

## 5. Acute Operating Division

The Acute Division achieved its planned breakeven position for the year with over £3.3m worth of savings contributing to the overall NHS Lanarkshire Corporate Recovery Plan. The pressure seen on supply budgets through 2005/06 is likely to remain in 2006/07 and this will be one of the areas that will be concentrated on to understand, maximise efficiency and roll-out good practice across the Division. This, coupled with the continued tight management on staffing should ensure the Division again works to its planned outturn position through 2006/07.

Savings will again be specifically targeted in 2006/07 and work is on-going to establish and achieve these. Good progress has been made to date but further work will be undertaken to ensure the Division hits its target as part of the NHS Lanarkshire financial plan.

*Table 4 - Acute Division 2005/06*

	<b>Budgeted Operating Costs £M</b>	<b>Actual Operating Costs £M</b>	<b>Actual saving / (excess) £M</b>
Pay	179.142	177.362	1.780
Non Pay	108.189	110.221	(2.032)
Gross operating costs	287.331	287.583	(0.252)
Less: miscellaneous income	(29.138)	(29.390)	0.252
<b>Net operating cost</b>	<b>258.193</b>	<b>258.193</b>	<b>(0.000)</b>

## 6. Primary Care Operating Division

The Primary Care Operating Division is reporting a break even position for the year, compared to a forecast underspend of £0.500m as at 28 February. The movement from the earlier forecast is due to the prescribing position now reflecting a break even position, this as a consequence of changes being introduced as part of the pharmacy contract and the impact will require to be modeled in 2006/07. All other pays and supplies areas have been managed within the budget available overall. An additional cost of £0.268m has been contained within this position, arising from the Quality and Outcome Framework in the new GMS contract. The average for GPs across Lanarkshire is achievement of 1019 points against the maximum of 1050 points. Due to disease prevalence levels the average cost per point was higher than anticipated. Underspends in community areas have assisted in covering this overspend.

Savings achieved within the Primary Care Division exceeded the target within the Corporate Recovery Plan and contributed to the overall NHS Lanarkshire position for the year. This was achieved through robust cost containment measures and strong management of prescribing expenditure through the action plans.

Work will be ongoing into 2006/07 to identify and achieve further savings. It should be noted that the financial position during 2005/06 was also achieved through a high level of vacancies being held and the impact this has had on services should not be underestimated.

*Table 5 - Primary Care Division 2005/06*

	<b>Budgeted Operating Costs £M</b>	<b>Actual Operating Costs £M</b>	<b>Actual saving / (excess) £M</b>
Pay	121.680	118.857	2.823
Non Pay	47.066	50.941	(3.875)
FHS	107.304	107.318	(0.014)
Prescribing	106.081	106.081	0.000
Gross operating costs	382.131	383.197	(1.066)
Less: miscellaneous income	(12.734)	(13.800)	1.066
Les: FHS income	(11.641)	(11.641)	0.000
<b>Net operating cost</b>	<b>357.756</b>	<b>357.756</b>	<b>0.000</b>

## 7. Corporate Recovery Programme

The Corporate Recovery Plan (CRP) was a key component of the approved Financial Plan, in order to meet the financial target for the year, to move toward a recurring balanced position, and to achieve the Efficient Government Targets set out by the Scottish Executive.

The Financial Plan includes a target of £9.666m against the CRP. The estimated recurring shortfall against this target reduced to £1.655m over the latter months of the year, following the emergence of previously unplanned savings against Headquarters budgets, offset by unachieved savings on the ward rationalisation projects in the current financial year. Additional non-recurring savings were identified, resulting in a net in-year shortfall against the £9.666m target of £0.431m. The detailed summary is shown in Table 6.

*Table 6 - Corporate Recovery Programme 2005/06*

	<b>Savings Achieved</b>		
	<b>Rec £M</b>	<b>Non-Rec £M</b>	<b>Total £M</b>
Non Clinical Support Services	0.397	0.147	0.544
Procurement	0.290	0.000	0.290
Prescribing Management	0.000	1.000	1.000
Cross Boundary Flow	0.570	0.000	0.570
Corporate Management	0.400	1.223	1.623
CRES	3.065	2.143	5.208
<b>Total Savings Achieved</b>	<b>4.722</b>	<b>4.513</b>	<b>9.235</b>
Shortfall against original plan	1.655	(1.224)	0.431
<b>Total Savings Planned</b>	<b>6.377</b>	<b>3.289</b>	<b>9.666</b>

## 8. Capital

The capital investment programme for NHS Lanarkshire was managed and monitored by the Capital Investment Group through the year. Table 7 provides a summary of the planned investment for the year and the actual expenditure for the year.

Subject to final external audit review, an underspend of £3.533m has been achieved for the year, the majority of the underspend relates to the reduced contribution to the medium secure unit. It should be noted that this is in line with the previous forecast and has already been notified to the SEHD with a request for carry forward.

*Table 7 - Capital Expenditure Summary 2005/06*

	Annual Plan £M	Actual Expenditure £M
Net Capital Allocation	12.031	13.972
<b>Capital Investment</b>		
Hospital Infrastructure	1.680	1.530
Community Infrastructure	4.984	1.998
Medical Equipment	3.516	4.671
IM&T	1.160	1.658
Other	0.800	0.582
	12.140	10.439
Capital Under / (Over) Spend	(0.109)	3.533

## 9. Conclusion

*The Board is asked to note:*

- *Note the revenue underspend of £11.617m for the year ended 31 March 2006*
- *Note the capital underspend of £3.533m for the year ended 31 March 2006*
- *Note that final confirmation of performance against the revenue and capital resource limits will be reported in the Annual Accounts for 2005/06 to be presented at the Audit Committee on 29 June 2006, following external audit review*

**Susan Goldsmith**  
**Director of Finance**  
**20 April 2006**